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Financial Statements

KENTUCKY STATE FAIR BOARD

June 30, 2005 and 2004

KENTUCKY STATE FAIR BOARD

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June 30, 2005 and 2004

Mountjoy & Bressler, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kentucky State Fair Board
Louisville, Kentucky

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Kentucky State Fair Board, Commonwealth of Kentucky, as of and for the years ended June 30, 2005 and 2004, as shown in the accompanying table of contents. These financial statements are the responsibility of the Kentucky State Fair Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements of the Kentucky State Fair Board, Commonwealth of Kentucky, are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities and the aggregate remaining fund information of the Commonwealth that is attributable to the transactions of the Kentucky State Fair Board. They do not purport to, and do not, present fairly the financial position of the Commonwealth of Kentucky as of June 30, 2005 and 2004, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information for the Kentucky State Fair Board, Commonwealth of Kentucky, as of June 30, 2005 and 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Kentucky State Fair Board has not presented the required supplementary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 23, 2005, on our consideration of Kentucky State Fair Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As discussed in Note M, the financial statements as of and for the year ended June 30, 2004, have been restated.

Mountjoy & Bressler, LLP

Louisville, Kentucky
September 23, 2005

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KENTUCKY STATE FAIR BOARD

STATEMENTS OF NET ASSETS

	June 30 2005	June 30 2004 (as restated)
ASSETS		
Current Assets		
Cash and cash equivalents	$ 8,788,966	$ 7,675,292
Accounts receivable, net of allowance for doubtful accounts of $1,179,733 in 2005 and $107,374 in 2004	1,673,382	2,443,028
Prepaid expenses and other	694,008	619,459
Total current assets	11,156,356	10,737,779
Non-current Assets		
Restricted cash and cash equivalents	21,336,038	49,563,463
Property, plant and equipment, net of accumulated depreciation	208,593,361	173,208,468
Other assets, net of accumulated amortization	1,044,951	1,142,890
Total non-current assets	230,974,350	223,914,821
Total assets	$ 242,130,706	$ 234,652,600
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ 2,821,219	$ 1,652,375
Interest payable	377,957	384,460
Deferred income	4,407,294	4,411,995
Bonds payable, current portion	1,990,000	1,959,209
Obligations under capital lease, current portion	45,681	45,125
Total current liabilities	9,642,151	8,453,164
Non-current Liabilities		
Obligations under Capital Lease, long-term portion	64,926	60,790
Bonds payable, long-term portion	52,943,043	55,061,874
Total non-current liabilities	53,007,969	55,122,664
NET ASSETS		
Invested in capital assets, net of related debt	172,317,496	162,731,075
Restricted for capital construction	3,501,587	3,803,014
Unrestricted	3,661,503	4,542,683
Total net assets	179,480,586	171,076,772
Total liabilities and net assets	$ 242,130,706	$ 234,652,600

See accompanying independent auditor's report and notes to financial statements

KENTUCKY STATE FAIR BOARD

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year ended June 30 2005	2004 (as restated)
Operating Revenues		
Charges for services	$ 33,931,665	$ 31,913,774
Lease income	2,929,289	3,169,222
Total operating revenues	36,860,954	35,082,996
Operating Expenses		
General and administrative	8,852,879	7,614,295
Operating	10,421,091	9,807,052
Direct cost of events	14,911,035	13,928,136
Depreciation and amortization	6,374,226	6,305,687
Total operating expenses	40,559,231	37,655,170
Operating loss	(3,698,277)	(2,572,174)
Non-Operating Revenues		
Interest income (expense), net	96,092	45,297
Other, net	1,202,686	551,750
Total non-operating income	1,298,778	597,047
Net loss before contributions and transfers	(2,399,499)	(1,975,127)
Contributions for Construction of Capital Assets	10,456,513	3,300,000
Transfers In	396,800	549,300
Transfers Out	(50,000)	(3,937,002)
Change in net assets	8,403,814	(2,062,829)
Total Net Assets, Beginning of Year	171,076,772	173,139,601
Total Net Assets, End of Year	$ 179,480,586	$ 171,076,772

See accompanying independent auditor's report
and notes to financial statements

KENTUCKY STATE FAIR BOARD

STATEMENTS OF CASH FLOWS

	Year ended June 30 2005	2004 (as restated)
Cash Flows from Operating Activities		
Cash received from customers	$ 36,446,166	$ 35,903,965
Cash payments to suppliers for goods and services	(16,330,191)	(16,700,084)
Cash payments for employee salaries and benefits	(15,587,288)	(15,018,782)
Net cash provided by operating activities	4,528,687	4,185,099
Cash Flows from Non-Capital Financing Activities		
Non-operating income	1,202,686	551,750
Transfers from other funds	396,800	549,300
Deficit reduction transfer	(50,000)	(3,413,500)
Net cash provided (used in) by non-capital financing activities	1,549,486	(2,312,450)
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(31,144,883)	(9,579,018)
Transfers from (to) restricted cash	28,227,425	(46,013,094)
Transfer to debt service fund	-	(1,470,710)
Contributions received for construction of capital assets	-	3,300,000
Proceeds from debt issued, net	-	52,000,000
Payments on debt	(2,088,040)	-
Payments on capital lease liabilities	(55,093)	(63,165)
Net cash used in capital and related financing activities	(5,060,591)	(1,825,987)
Cash Flows from Investing Activities		
Interest and dividends on investments	96,092	45,297
Net Increase in Cash and Cash Equivalents	1,113,674	91,959
Cash and Cash Equivalents, Beginning of Year	7,675,292	7,583,333
Cash and Cash Equivalents, End of Year	$ 8,788,966	$ 7,675,292
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	$ (3,698,277)	$ (2,572,174)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	6,374,227	6,305,688
Allowance for doubtful accounts receivable	1,072,359	19,969
Changes in assets and liabilities:		
Accounts receivable	(302,713)	(232,950)
Prepaid expenses	(74,549)	(590)
Accounts payable and accrued liabilities	1,162,341	(368,794)
Deferred income	(4,701)	1,033,950
Net cash provided by operating activities	$ 4,528,687	$ 4,185,099

See accompanying independent auditor's report and notes to financial statements

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying financial statements have been prepared as an enterprise fund of the Commonwealth of Kentucky. Enterprise funds are designed to accumulate the total cost of providing a particular service and to indicate the extent user charges are sufficient to cover these costs. Revenue generated from user charges is classified as operating revenue while all other sources of revenue are considered non-operating revenue. The Kentucky State Fair Board (Fair Board) uses the accrual basis of accounting for financial accounting and reporting purposes.

Scope of Entity: The Fair Board is a component unit of the Commonwealth of Kentucky and is included in the Commonwealth of Kentucky's comprehensive annual financial report. The criteria for inclusion, as defined by the Governmental Accounting Standards Board, is determined on the basis of: 1) selection of governing authority; 2) designation of management; 3) ability to significantly influence operations; and 4) accountability for fiscal matters.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flows: For purposes of the statement of cash flows, the Fair Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash paid for interest was $2,156,456 and $1,476,463 for the years ended June 30, 2005 and June 30, 2004, respectively.

Property, Plant and Equipment: Property, plant and equipment expenditures over $5,000 are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Amortization is provided over the estimated useful life of leased assets or the lease term, whichever is shorter. The following is a summary of the estimated useful lives used in computing depreciation:

Buildings and improvements	5-50 years
Machinery, equipment and leasehold improvements	3-25 years
Furniture and fixtures	3-25 years

Depreciation expense for the years ended June 30, 2005 and 2004 was $6,276,288 and $6,239,021, respectively.

Other Assets: Other assets consist primarily of deferred debt issuance costs and deferred charges for leasing start-up costs incurred in connection with leasing the Hyatt Regency Louisville. Debt issuance costs are deferred and amortized over the life of the bonds, utilizing the bonds outstanding method, which approximates the effective interest method. The deferred charges are being amortized using the straight-line method over approximately 30 years.

Advertising Costs: The Fair Board expenses the costs of advertising as incurred. Advertising expense was $532,527 and $406,715 for the years ended June 30, 2005 and 2004, respectively.

Continued

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--CONTINUED

Deferred Revenue: The Fair Board receives revenue in advance for user charges prior to an event's occurrence. Revenue received in this way is recorded as deferred until the event is completed. Revenue is recognized upon completion of the event.

Reclassifications: Certain reclassifications have been made to the prior years' financial statements to conform to the 2003 classification, none of which had an effect on previously reported net income.

NOTE B--CONTINGENCIES

The Fair Board is party to certain litigation. Due to the fact the Fair Board is an agency of the Commonwealth of Kentucky, the Fair Board is subject to sovereign immunity and is not responsible to settle this litigation. The Commonwealth has the responsibility for settling all significant claims for the Fair Board; therefore, no disclosure or accrual regarding litigation is required as a part of these financial statements.

NOTE C--CONCENTRATION OF CREDIT RISK

The Fair Board maintains accounts at several financial institutions, each of which are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $100,000 per customer. For the years ended June 30, 2005 and 2004, the Fair Board's cash balances exceeded the FDIC limit by $7,654,898 and $5,137,269, respectively. The excess funds are covered by collateral held by the pledging institution's trust department in the Fair Board's name.

NOTE D--PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following components:

	June 30	
	2005	2004
Land	$ 24,520,225	$ 14,072,576
Buildings and improvements	242,990,927	234,507,300
Machinery, equipment and leasehold improvements	4,325,651	4,151,867
Furniture and fixtures	382,163	382,163
Construction in progress	47,312,114	25,092,171
	319,531,080	278,206,077
Less accumulated depreciation	110,937,719	104,997,609
	$ 208,593,361	$ 173,208,468

KENTUCKY STATE FAIR BOARD

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2005 and 2004

NOTE E--CASH AND CASH EQUIVALENTS

The following tables categorize the Fair Board's cash and cash equivalents at June 30, 2005 and 2004, respectively, as: (1) insured or collateralized with securities held by the entity or by its agent in the entity's name, (2) collateralized with securities held by the pledging institution's trust department or agent in the entity's name, or (3) un-collateralized. At June 30, 2005 and 2004, the Fair Board had no cash or cash equivalents in category (3).

June 30, 2005	Category 1	Category 2	Total Bank Balance	Cost Amount	Fair Value
Cash	$ -	$ -	$ -	$ -	$ -
Repurchase agreements	-	6,430,312	6,430,312	6,430,312	6,430,312
	$ -	$ 6,430,312	$ 6,430,312	6,430,312	6,430,312
State investment pool					
Cash				2,255,140	2,255,140
Investments				103,514	103,505
Total cash and cash equivalents				$ 8,788,966	$ 8,788,957

June 30, 2004	Category 1	Category 2	Total Bank Balance	Cost Amount	Fair Value
Cash	$ -	$ -	$ -	$ -	$ -
Repurchase agreements	-	5,629,602	5,629,602	5,629,602	5,629,602
	$ -	$ 5,629,602	$ 5,629,602	5,629,602	5,629,602
State investment pool					
Cash				1,659,565	1,659,565
Investments				386,125	385,330
Total cash and cash equivalents				$ 7,675,292	$ 7,674,497

KENTUCKY STATE FAIR BOARD

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2005 and 2004

NOTE F--RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents include construction fund accounts and a debt service reserve fund.

The construction funds accounts are retained by the Kentucky State Treasury as special accounts designated solely for the payment of all approved capital construction projects. The debt service reserve fund consists of bond proceeds retained by the bond trustee and paying agent to secure payment of the bonds as further described in Note L.

June 30, 2005	Cost Amount	Fair Value
Construction funds		
Cash	$ 1,881,415	$ 1,881,415
Investments	15,216,780	15,310,974
	17,098,195	17,192,389
Debt service reserve fund	4,237,843	4,237,843
	$ 21,336,038	$ 21,430,232

June 30, 2004	Cost Amount	Fair Value
Construction funds		
Cash	$ 3,036,150	$ 3,036,150
Investments	42,289,470	42,083,245
	45,325,620	45,119,395
Debt service reserve fund	4,237,843	4,237,843
	$ 49,563,463	$ 49,357,238

NOTE G--OTHER ASSETS

Other assets consist of the following:

	2005	2004
Contribution to Hyatt Regency Louisville	$ 2,000,000	$ 2,000,000
Deferred debt issuance costs	855,075	855,075
Facility development plan cost	48,000	48,000
	2,903,075	2,903,075
Less accumulated amortization	1,858,124	1,760,185
	$ 1,044,951	$ 1,142,890

NOTE H--REVENUE BONDS ISSUED BY THE COMMONWEALTH OF KENTUCKY

The Commonwealth of Kentucky State Property and Buildings Commission (the Commission) has issued revenue bonds for the acquisition and construction of certain projects, including the development of the Kentucky International Convention Center, parking structures and various capital improvements, including an exposition hall added to the Kentucky Fair and Exposition Center. The revenue bonds are included in the general long-term debt account group of the Commonwealth of Kentucky (the Commonwealth) since the Commonwealth intends to make the required principal and interest payments on these obligations and has made all such payments to date. The properties have been contributed to the Fair Board and are included in property, plant and equipment.

NOTE I--LEASE INCOME

The Fair Board is the lessor of real property under non-cancelable operating leases for terms ranging from 3 to 40 years. The leases expire from 2006 through 2043. Most leases contain renewal options ranging from 5 to 50 years. Minimum future lease income under non-cancelable operating leases at June 30, 2005 is as follows:

Year ending June 30	
2006	$ 1,997,792
2007	1,893,905
2008	1,702,709
2009	1,672,657
2010	1,578,351
Thereafter	21,480,131
Total minimum future lease income	$ 30,325,545

The above amounts do not include contingent lease income which may be received based upon percentages of gross receipts from tenants, as defined in the lease agreements. Contingent lease income was approximately $1,212,000 and $1,240,000 in fiscal 2005 and 2004, respectively.

NOTE J--PENSION PLAN

All full-time and certain part-time employees of the Fair Board participate in the Kentucky Employees Retirement System (KERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Retirement System. The plan provides for retirement, disability and death benefits to plan members. Cost-of-living adjustments (COLA) are provided at the discretion of the State legislature.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the KERS. That report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601-6124.

Continued

NOTE J--PENSION PLAN--CONTINUED

Plan members are required to contribute 5% of their annual covered salary and the Fair Board is required to contribute at an actuarially determined rate. The rate was 5.89% of annual covered payroll for 2005 and 2004. The contribution requirements of plan members and the Fair Board are established and may be amended by the Kentucky Retirement System's Board of Trustees. The Fair Board's contributions to KERS for the year ending June 30, 2005 and 2004 were approximately $557,600 and $534,800, respectively, equal to the required contributions for each year.

NOTE K--CAPITAL LEASES

The Fair Board leases various equipment under leases classified as capital leases. The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2005:

Year ending June 30	
2006	$ 48,924
2007	35,990
2008	31,567
Total minimum lease payments	116,481
Less amount representing interest	5,874
Present value of net minimum lease payments*	$ 110,607

* Reflected in the balance sheet as current and non-current obligations under capital leases of $45,681 and $64,926, respectively.

NOTE L-- BONDS PAYABLE

On November 19, 2003, the Commonwealth of Kentucky State Property and Building Commission (Commission) issued $55,300,000 in bonds payable on behalf of the Fair Board. The proceeds of the bonds are to be used to finance the 237,000 square-foot expansion of the Kentucky Fair and Exposition Center in Louisville, Kentucky. The bonds bear interest at a fixed rate which vary from 2.00% to 5.00% and have a final maturity date of November 1, 2023. The bonds are special and limited obligations of the Commission. The bonds do not constitute a debt, liability, or obligation of the Commonwealth of Kentucky or a pledge of the full faith and credit or taxing power of the Commonwealth of Kentucky, but are payable solely from amounts deposited in certain funds and accounts created by the resolution and from rental income derived from the biennially renewable lease agreement with the Fair Board as described below. The bondholders have no security interest in any properties constituting the project or any amounts derived therefrom. The scheduled payment of principal and interest on the bonds are guaranteed under an insurance policy issued by AMBAC Assurance Corporation.

Continued

NOTE L--BONDS PAYABLE--CONTINUED

In connection with the issuance of the bonds, the Commonwealth of Kentucky Finance and Administration Cabinet (Cabinet) entered into a financing/lease agreement with the Commission whereby the Cabinet agreed to lease the newly constructed building. The Cabinet, in turn, entered into a financing/sublease agreement with the Fair Board whereby the Fair Board agreed to sublease the newly constructed building. The lease is for an initial eight month term ending June 30, 2004, with the right to renew for ten succeeding two-year renewal periods. The Fair Board can cancel the lease on the last business day in June immediately preceding the beginning of any renewal term. The lease payments are equal to the debt service required by the bond indenture. In connection with the agreements, the Commonwealth of Kentucky General Assembly appropriated sufficient spending authorization to the Fair Board to pay the lease payments required for the initial eight month term. There can be no assurance to make rent payments past the initial eight month lease period. The Fair Board renewed the lease for the biennium ending June 30, 2006.

The Fair Board has followed consolidation accounting principles as it relates to the issuance of the bonds and entering into the related sublease agreement. As such, the Fair Board has recorded the proceeds of the bonds as restricted cash and cash equivalents and recorded the related debt, debt issuance costs, and construction in progress incurred to date. The total estimated cost of the project is $52,000,000. Net interest costs incurred from the tax exempt debt incurred from the date of the issuance of the bonds has been capitalized as part of the building cost. A premium on bonds payable in the amount of $1,792,918 was received upon issuance of the bonds. At June 30, 2005, the unamortized bond premium in the amount of $1,583,043 has been reported as a direct addition to the face amount of the bonds and is being amortized over the life of the bonds using the effective interest method.

A summary of the activity for the bond issue, at principal amount, for the year ended June 30, 2005 is as follows:

	June 30, 2004	Additions	Payments	June 30, 2005
Bonds payable	$ 55,300,000	$ -	$ (1,950,000)	$ 53,350,000

Debt service requirements for the next five fiscal years and thereafter are as follows:

Year ending June 30	Principal	Interest
2006	$ 1,990,000	$ 2,247,842
2007	2,030,000	2,207,642
2008	2,070,000	2,166,642
2009	2,115,000	2,120,562
2010	2,185,000	2,052,651
Five years ending June 30		
2011-2015	12,235,000	8,180,118
2016-2020	15,360,000	6,186,988
2021-2024	15,365,000	1,960,600
	$ 53,350,000	$ 27,123,045

NOTE M--RESTATEMENTS

In November 2004, the Fair Board determined that its previously issued financial statements as of and for the year ended June 30, 2004, should be restated to record adjustments for the correction of an error in the accounting associated with the Fair Board's sublease as described in Note L. Upon reviewing the application of accounting principles as it relates to the issuance of the bonds and the related sublease agreement, the Fair Board determined that it should have recorded the transaction as a debt obligation on its financial statements instead of a contribution for construction of capital assets.

The restatement of the change in net assets for the year ended June 30, 2004 is as follows:

Change in net assets previously reported	$ 48,989,963
Decrease in contributions for construction of capital assets	(52,000,000)
Decrease in transfers out	947,208
	$ (2,062,829)

Restatement of the June 30, 2004 statement of net assets resulted in the following change:

Increase in restricted cash and cash equivalents	$ 4,237,842
Increase in property, plant and equipment, net of accumulated depreciation	1,260,910
Increase in other assets, net of accumulated amortization	853,999
Increase in total assets	$ 6,352,751
Increase in interest payable	$ 384,460
Increase in bonds payable	57,021,083
Decrease in net assets	(51,052,792)
Increase in total liabilities and net assets	$ 6,352,751

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mountjoy & Bressler, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kentucky State Fair Board
Louisville, Kentucky

We have audited the financial statements of Kentucky State Fair Board as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated September 23, 2005. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Kentucky State Fair Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kentucky State Fair Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management. However, this report is a matter of public record and its distribution is not limited.

Mountjoy & Bressler, LLP

Louisville, Kentucky
September 23, 2005

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